



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 3/25/2004

GAIN Report Number: RS4016

Russian Federation

Agricultural Situation

Domestic Livestock Crisis Signals Higher Prices 2004

Approved by:

Allan Mustard
U.S. Embassy

Prepared by:

Mark Petry and Mikhail Maksimenko

Report Highlights:

The feed and fodder crisis in Russia has forced producers to slaughter or otherwise maintain lower livestock herds in the face of rising feed prices. The hardest hit sectors are pork and beef. Prices for domestic pork and beef were held down during the fall due to the cull, but are now starting to rise as fewer animals are available to market. Prices on domestic meat are expected to continue increase sharply until the feed market stabilizes.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Moscow [RS1]
[RS]

Poultry Prices

Poultry prices remained relatively stable through the first two months of 2004. Though there is a general price increase on the world poultry meat market due to the trade implications of the Asian avian influenza outbreak, prices in Russia remained relatively stable in February. Fortunately for major importers, many large shipments of poultry were brought into port at the end of 2003 and in late January and early February. These stocks allowed importers to weather the concern about U.S. leg quarter prices after a case of high-pathogenicity avian influenza was found in Texas. Fortunately, this case was contained and the concern over a further increase in prices was largely unrealized for those importers who waited a week or two to jump back into the market.

However, prices remain very high compared to the same period in 2003 due to the quota restrictions placed on imports of poultry meat. Compared to February 2003, prices are currently 38 percent higher.

Table 1. Moscow Wholesale Poultry Meat Prices, January 2003 – February 2004.

Date	Exchange Rate, ruble/\$	Domestic chicken			Imported chicken		
		Frozen carcasses	Frozen breast, boneless	Frozen leg quarters	Frozen carcasses	Frozen breast, boneless	Frozen leg Quarters
01/30/2003	31.80	42.81	58.28	47.05	38.55	55.47	34.69
02/28/2003	31.58	42.32	56.28	41.16	40.81	54.89	35.04
03/30/2003	31.38	41.68	55.17	42.27	42.15	54.15	34.92
04/30/2003	31.10	41.77	55.67	44.50	41.90	56.38	34.42
05/30/2003	30.67	43.93	57.62	45.00	43.76	62.17	39.55
06/30/2003	30.35	49.07	59.32	49.50	48.27	73.08	39.77
07/30/2003	30.25	53.55	78.00	50.83	55.78	81.69	41.76
08/30/2003	30.50	59.04	99.67	59.62	59.09	101.00	44.81
09/30/2003	30.61	59.96	108.00	61.09	58.58	107.77	45.45
10/30/2003	29.82	58.77	105.50	57.23	58.21	103.48	47.08
11/30/2003	29.74	57.96	101.00	61.13	56.42	95.08	47.11
12/30/2003	29.25	56.02	93.33	60.63	55.65	88.32	45.39
01/30/2004	28.49	54.96	92.67	57.88	53.98	82.58	45.85
02/29/2004	28.52	54.21	93.38	55.83	53.44	81.87	47.04

Source: Russian Institute for Agricultural Market Studies (IKAR)

Prices are in rubles per kilogram.

Pork and Beef Prices

In contrast to the surprisingly stable poultry market, the pork and beef markets are now showing serious signs of stress as a result of the ongoing Russian feed and fodder crisis. Since the fall, livestock producers have been slowly culling their herds to minimize the impact of the skyrocketing prices on feed grain and to the general lack of fodder. However, moving into spring, the easy cull decisions are long over. Producers now have fewer animals to market and many animals being sold are underweight/young animals that would not normally be marketed.

As a result of this process, the slaughter kept domestic beef and pork prices under control through the fall and winter, but prices are now starting to rise. Domestic beef prices have risen 39 percent in the last two months, while pork prices rose by nine percent in February. These price increases are expected to continue through the summer, until available grass and

a presumably better grain harvest can allow livestock producers to consolidate their losses and return to a normal production schedule at reasonable input prices.

Meanwhile, import prices are holding steady (beef) or even dropping (pork). Russia has been benefiting from a similar slaughter pattern in Ukraine, which has kept beef prices in check. There are also reports that Russia is now importing significant numbers of Polish slaughter hogs, which is helping to keep the imported pork price down.

Table 2. Wholesale Prices (Offer Price), January 2003 – February 2004.

Date	Exchange rate, ruble/\$	Domestic beef	Imported beef	Domestic pork	Imported pork
01/30/2003	31.80	50.17	48.40	48.75	45.50
02/28/2003	31.57	51.17	49.95	44.75	46.14
03/30/2003	31.38	48.67	48.01	40.37	44.90
04/30/2003	31.10	48.00	46.35	40.25	44.62
05/30/2003	30.66	48.00	48.52	41.02	48.45
06/30/2003	30.34	47.00	49.45	42.51	49.00
07/30/2003	30.24	49.00	49.30	42.39	49.11
08/30/2003	30.50	49.00	49.57	43.50	51.83
09/30/2003	30.61	58.00	52.75	51.33	61.60
10/30/2003	29.82	51.17	54.81	52.00	60.93
11/30/2003	29.74	52.38	52.31	50.75	55.53
12/30/2003	29.25	51.00	54.96	52.50	53.89
01/30/2004	28.48	64.42	63.61	54.63	54.81
02/29/2004	28.52	71.00*	64.68	59.50	52.67

Source: Russian Institute for Agricultural Market Studies (IKAR)

*As of 02.20.2004